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Latin America Review

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1 August 1986

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1 August 1986

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Latin America
Review

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Articles have been coordinated as appropriate with other offices within CIA. Comments and queries regarding this publication may be directed to the Chief, Production Staff, Office of African and Latin American Analysis,

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**Latin America
Review**

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Article**Venezuela: New Economic
Adjustment Measures**

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President Lusinchi's administration has announced emergency measures to deal with widening gaps in the balance of payments and fiscal accounts caused by the continuing slide of petroleum revenues. The administration's retreat into additional controls is likely to provide short-term relief, but the new controls are also likely to weaken further the shaky confidence of domestic investors and foreign lenders in the economy, making recovery before the 1988 election highly doubtful.

governing Democratic Action Party is allied. According to the US Embassy, labor strenuously opposed the efforts of some Cabinet members to achieve economic stabilization through fiscal austerity and market-determined wages, prices, and exchange rates. Labor is said to believe that such an approach only would deepen an eight-year recession in which per capita GDP has declined by more than 25 percent and unemployment more than doubled. Labor advocated—and was largely successful in obtaining—a program that emphasized expansionary fiscal policies and increased use of economic controls.

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After two years of impressive surpluses, Venezuela's fiscal and balance-of-payments accounts were thrown into disarray early this year by the collapse of world petroleum markets. According to IMF estimates, petroleum exports will earn only \$6.8 billion per year this year and next, compared with \$13.0 billion in 1985. Only slight improvement is seen for 1988. The reduced revenues threatened to open a cumulative 1986-88 external financing gap too large to be covered from the nation's international reserves, necessitating additional adjustment measures.

The most important of the new measures revises the terms for obtaining subsidized dollars to service the country's \$7 billion external private debt. It provides for repayment of loan principal in the form of 15-year, dollar-denominated government bonds carrying 5 percent interest rates—rather than dollar disbursements over the 1986-91 period—and increases the exchange rate used for servicing debt principal by 74 percent. The program attempts to conserve foreign exchange by imposing new restrictions in imports of finished consumer goods and agricultural commodities, and to boost foreign exchange earnings by lessening restrictions on and offering incentives for nontraditional exports, tourism, and foreign direct investment. The package also proposes fiscal reform and advances several measures that labor has been urging for almost a year—a price freeze on 30 basic goods, a plan to subsidize low- and moderate-income housing, and a free milk program.

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The oil market collapse also will generate huge deficits in the public sector fiscal accounts. According to the IMF, the 1986 deficit may reach 11.3 percent of GDP, and the 1987 deficit, we believe, could be even larger. Because there are no prospects for covering such gaps through increased taxes from nonpetroleum sources, fiscal adjustment options are limited to expenditure reductions, borrowing, or creation of a petroleum tax windfall by devaluing the currency.

In dealing with the external and domestic financial gaps, Lusinchi's stabilization options have been subject to political constraints imposed by labor leaders, with whom Lusinchi's political faction in the

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The adjustment measures promise to give the administration additional breathing room on the external accounts. We believe that the revised terms for servicing the external private debt will defer about \$2.5 billion in principal repayments due over the 1986-88 period, while the new import restrictions will produce savings of \$200-300 million per year in imports. The effort to boost foreign earnings from nontraditional exports, tourism, and foreign direct investment is unlikely to yield more than modest results before 1989. Collectively, the measures should reduce the external financing gap to \$3.3 billion this year and a cumulative \$9 billion for the 1986-88 period—with a further reduction likely when \$2.26 billion in public debt principal due in 1987 and 1988 is rescheduled. We believe that the remaining financing gap can be covered from existing foreign exchange reserves and modest borrowing from foreign sources—if oil revenues hold in the \$13 to \$17 per barrel range over the 1986-88 period. []

The adjustment package also promises relief for the 1987 fiscal accounts. Although the proposed fiscal reform is unlikely to produce any new revenues this year and only modest revenues in the medium term, the scheme for servicing the external private debt with bonds instead of cash will raise 7.5 billion bolivars for each \$1 billion in bonds sold by the central bank. As much as \$4 billion in bonds may ultimately be sold. We believe that most proceeds will be turned over to the central government to cover a projected 1987 deficit of 33 billion bolivars. In anticipation of fiscal deficits after 1987, the administration will introduce legislation when congress reconvenes in October, permitting the central bank to expand its holdings of treasury debt, according to Embassy and press reporting. []

Over the longer term, however, the July package is likely to have a depressing effect on domestic economic activity. According to press reports, investors have been shaken by the price freeze and the devaluation-induced increase in the costs of servicing the external private debt. []

[] We believe these factors will cause private domestic investment to slide even further, continuing a seven-year slump in which investment outlays have declined by 75 percent in real terms. Because the program's modest fiscal stimulus is unlikely to offset its effects on private investment, and household purchasing power is unlikely to rebound in the near term, we foresee almost no prospects for economic recovery before the 1988 election. []

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Secret**Latin America
Briefs**

Guyana	Shifting Economic Ties <input type="text"/>	25X1
	Guyana continues to loosen its economic ties to Communist countries as part of an overall effort to draw closer to the West. <input type="text"/>	25X1
	Georgetown may renege on promised bauxite exports to the Soviet Bloc. The bauxite was to have been repayment for three Soviet helicopters and other purchases Guyana has already received from Bloc countries. <input type="text"/>	25X1
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	Guyana is also backing off from North Korea. A major joint North Korean-Guyanese hydroelectric project is being shelved because it is too costly, and another joint irrigation project may be discontinued because the Koreans have sent inappropriate machinery. <input type="text"/> In 1985, more than 200 North Koreans were in Guyana helping to build the hydroelectric project and a glass factory, but the number assigned to these projects has fallen to 17 this year, according to Embassy reporting. <input type="text"/>	25X1
	Meanwhile, the Guyanese appear to be counting heavily on reaching an accomodation with the International Monetary Fund (IMF) in hopes of paving the way for other Western support. <input type="text"/>	25X1
	<input type="text"/>	25X1
	<input type="text"/> We expect, however, that the Fund will insist that Georgetown pay back all arrears, a requirement that could prevent new funding in the near term. <input type="text"/>	25X1
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Honduras	Labor Troubles <input type="text"/>	25X1
	While relations with the United States, Nicaragua, and the anti-Sandinistas have dominated Honduran politics in recent months, several strikes have increased pressure on Tegucigalpa to pay greater attention to domestic issues. The US Embassy reports, for example, that workers at the US-owned Rosario Resources Corporation—Honduras's biggest mineral producer—went on strike in late June, demanding a 20-percent wage increase over the next two years. Rosario, which predicts a \$15 million loss this year because of declining prices and has put the mines up for sale, refused the workers' demands and said reopening the mines hinged on reductions in taxes and electricity rates. The government granted the company's requests, according to the Embassy, and the strike was ended when President Azcona authorized a \$1 million "indemnity" payment to the union in lieu of a wage increase. <input type="text"/>	25X1

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The government's political and financial ability to grant such special concessions to companies and workers in troubled industries is severely limited, however, and the overall stagnation of the economy suggests that many employers will be unable to meet worker expectations in the coming months. New strikes would probably not pose an immediate threat to the stability of the government, but they probably will lead to increased pressure on the President to get moving on the economic revitalization program he announced in May and to devote less time to international relations.

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Mexico**Leftist Parties Seek Greater Cooperation**

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Representatives of 12 Mexican leftist organizations, including the Communist-dominated Unified Socialist Party of Mexico, the Trotskyist Revolutionary Workers Party, and the nationalist Mexican Workers Party, recently signed a document agreeing to form a single political front. The groups pledged to coordinate their activities in the coming months and to support a single candidate in the 1988 presidential election. Leftist leaders announced that their ultimate goal is to form a single party, but they acknowledged that this was impractical at present because of "unspecified political differences."

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The groups are especially interested in promoting cooperation at this time, in our judgment, because of the left's poor showing in last year's midterm congressional election. The present unity drive is the broadest and most significant to date. Previous efforts to promote leftist cooperation have not been notably successful because differences have arisen over tactical, leadership, and ideological questions. For the same reasons, we expect the present effort to fall far short of achieving its announced aims.

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Cuba

Interest in Renewing Migration Talks ☐

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Cuba's Vice Minister of Foreign Relations Ricardo Alarcon called Canadian diplomats in on 16 July for a 90-minute briefing on "radio issues," according to the US Interests Section in Havana. Alarcon, who headed the Cuban delegation to the fruitless migration talks with the United States in Mexico City in early July, implied new flexibility on such matters as the renaming of Radio Marti and counterbroadcasts to the United States. The Interests Section sees Alarcon's action as extraordinary and as a further sign of Cuban interest in resolving the migration/Radio Marti impasse. ☐

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Havana sorely needs to renew the December 1984 migration agreement—which President Castro terminated when Radio Marti came on the air—as a safety valve for ridding Cuba of a growing number of people disillusioned with their country's economic future. In the Mexico City talks, Alarcon may have overstepped his instructions by adopting too rigid a position, causing the talks to fail. He now appears under strong pressure to get the talks back on track but must get the United States to take the initiative in order to allow Castro to save face. ☐

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New Sugar Industry Minister ☐

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The appointment of a new Sugar Industry minister late last month—the 16th Cabinet-level change in as many months—may presage a major shakeup in that ministry. Havana announced on 21 July that Minister Antonio Rodriguez Maurell had been replaced by Juan Herrera Machado. The announcement inexplicably claimed that Rodriguez had been promoted to the post of Vice President of the Council of Ministers, a position he has held since June 1985 when he was named concurrently to head the Sugar Industry Ministry. ☐

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Rodriguez may have been replaced because of poor health. ☐

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☐ Judging from press announcements, his reported health problems did not prevent him from making a two-week trip in early July to East Germany and the USSR to discuss future cooperation in developing the sugar industry. ☐

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Secret**Satellite Television Broadcasts** ☐

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The Castro regime appears to have embarked on a major effort to ease the culture shock experienced by Cuban military personnel and civilian "cooperants" who are sent overseas for extended tours. On 26 July, beginning with the retransmission of President Castro's "Rebellion Day" speech, Cuba initiated a regular schedule of television broadcasts via satellite to Africa, Europe, and the Western Hemisphere. The transmissions, consisting of news, sports, and cultural programs, initially are to be aired every Friday, Saturday, and Sunday evening from six to nine, according to Cuban press reports. Havana hopes eventually to be able to expand the service to daily transmissions of eight hours. ☐

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At present, Cuban "internationalists" serving in Angola appear to be the prime target. According to a Havana radio report, Cuban communications personnel will record the television signal in Angola and distribute the recordings to various Cuban military units and workers' camps. Cuban diplomatic missions, Cuban students studying abroad, and foreign friends of Cuba were all mentioned as "potential" beneficiaries of the service, which apparently has been labeled "Cubavision." ☐

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The service also will provide greater reliability to the Cuban television system, according to the Cuban media, and "has the objective of ensuring broadcasts throughout the nation's territory in the event of breakdowns in the microwave network" that is now used to carry programming from studios in Havana to relay transmitters in the interior. The regime's communications officials may believe the microwave system is too vulnerable to interruptions either by natural phenomena or manmade interference, and want to develop a backup system to allow continued transmissions in times of crisis. ☐

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Cuba-USSR**Meteorological Research Aircraft** ☐

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Cuba, suffering from a searing drought and still recovering from Hurricane Kate of last year, apparently has appealed to Moscow for help in ameliorating its weather problem. The Soviet media reported in April that an IL-18 "Tsiklon flying laboratory," used for meteorological research and artificially induced rain, was to go to Cuba, but they did not say how long the aircraft would stay. According to a Cuban radio newscast on 19 July, a Soviet Tsiklon aircraft will arrive in Cuba soon as part of a research program on tropical meteorology and hurricanes. The research program probably is being directed by the Meteorological Institute of the Cuban Academy of Sciences. ☐

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Cuba Chronology

June 1986

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- 1 June** Syrian General Mustafa Talas, Deputy Commander of the Army and Armed Forces, receives Higher Education Minister Fernando Vecino Alegret to discuss relations and cooperation. Alegret conveys a message from Raul Castro to General Talas.
- 2 June** Havana Radio Rebelde reports that Cuba will export more than 2 million integral circuits to East Germany for manufacturing computer components. Cuba produces several types of computers for industrial, documentational, and educational centers.
- 3 June** Cuba informs its Western creditors that it will continue to pay interest on its \$3.5 billion debt, thus toning down an earlier statement that it would suspend most of its principal and interest payments as of 5 May.
- 4 June** Carlos Rafael Rodriguez meets with Mexican Foreign Relations Secretary Bernardo Sepulveda in Mexico City to discuss the situation in Central America, with special emphasis on the recently concluded Contadora meeting in Panama.
- Carlos Rafael Rodriguez meets with President de la Madrid to discuss aspects of bilateral relations, the situation in Central America, and other topics of Latin American interest.
- Vladimir Shcherbitskiy, First Secretary of the Soviet Central Committee in the Ukraine, meets in Kiev with Lionel Soto, Secretary of the Communist Party Central Committee. Soto reiterates Cuba's support to minimize the consequences of Chernobyl.
- 5 June** Carlos Rafael Rodriguez grants an interview to Mexican journalist Luis Suarez in which he discusses the Central American conflict and the Contadora Group's peace effort, and reiterates that the foreign debt is unpayable.
- 6 June** The 10th session of the Cuban-North Korean economic and scientific technical consultative commission begins in Havana. Foreign Trade Ministers Ricardo Cabrizas and Ch'oe Chong-kun preside.
- 7 June** At a meeting marking the 25th anniversary of the Interior Ministry, Fidel Castro says the main task of the Ministry no longer is to stamp out counterrevolutionary activity, but to combat the country's growing crime wave.

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8 June

Tass reports that unarmed Cuban and Soviet merchant ships, unloading in the Port of Namibe in Angola, became targets of a pirate attack on 5 June; the Soviet ships were damaged and the Cuban ship was sunk.

Bishop Adolfo Rodriguez of Camaguey and Bishop Pedro Meurice of Santiago de Cuba depart for the Vatican to present the Pope with a document that calls for the Roman Catholic Church to accept Communism in Cuba and learn to live with it.

President of the National Assembly Flavio Bravo arrives in Helsinki. He tours Helsinki, attends a plenary session of parliament, and meets with his counterpart, Erkki Pystynen, and Foreign Affairs Minister Paavo Vayrynen.

9 June

Fidel Castro participates with the almost 1,000 delegates to the international seminar on primary health care at the Palace of Conventions. Fidel says there will be 65,000 doctors in Cuba by the year 2000.

10 June

Foreign Trade Minister Ricardo Cabrizas and his North Korean counterpart, Ch'oe Chong-kun, discuss bilateral trade, which increased this year by 7 million pesos. North Korea sends food, raw material, ferrous and nonferrous steel, and spare parts, primarily for agriculture, to Cuba.

11 June

At the health care seminar, Fidel Castro offers free interferon to other countries to assist in research and for the treatment of acute cases of cancer.

Fidel Castro speaks at the afternoon session of the seminar and tells of the construction of the genetic and biotechnology research center, scheduled to be completed next July.

12 June

The second international seminar on outpatient care begins in Havana and is presided over by Public Health Minister Julio Teja. He says there are 42,715 nurses in Cuba, and 15,000 of them provide primary care services.

13 June

The Havana press reports that about three weeks ago Cuba began releasing a group of 27 political prisoners whose freedom was sought by French undersea explorer Jacques Cousteau last year.

Carlos Rafael Rodriguez meets in Havana with Maria Mambo Cafe, Angolan Minister of State for Social and Economic Affairs, to exchange opinions on the Cuban and Angolan economies and on existing economic and cooperation agreements.

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14 June

Fidel Castro is interviewed by Patrice Barrat of Paris's *Le Figaro* magazine. Fidel says he became a Communist when he was a student. He also says that Cuba's doors are open to anyone who wants to leave the country.

16 June

Politburo member Jorge Risquet meets in Havana with Carmen Pereira, member of the Politburo of the African Party for the Independence of Guinea-Bissau and Cape Verde, to exchange views on cooperation between parties and governments.

Central Committee member and Transportation Minister Diocles Torralba says the Cuban Merchant Marine fleet will be increased by 35 ships during the next five years.

17 June

Ricardo Alarcon tells EFE that Radio Marti will have to disappear in order for immigration agreements between Cuba and the United States to be resumed.

Granma reports that the Cuban Government has mounted a scrap metal collection drive in an effort to earn vitally needed hard currency abroad and to save on imports of raw materials for the island's ferrous and nonferrous foundries.

At the United Nations, Cuba asserts that attacks by South Africa against its neighbors are a direct result of the constructive engagement policy the United States has with Pretoria's racists; the US policy encourages and guarantees Pretoria impunity for criminal acts.

The presidents of the board of directors of the Cyprus Broadcasting Corporation and the Cuban Institute of Radio and Television—Gavrill Skottis, and Ismael Gonzalez, respectively—sign a cooperation exchange protocol in Havana to broaden relations.

Foreign Minister Isidoro Malmierca attends the international conference on sanctions against South Africa in Paris. He says that Nelson Mandela is the highest example of the South African people's struggle.

Central Committee member Rene Rodriguez Cruz meets in Havana with Burkina's Ambassador to Cuba, Vince Quedraogo, to discuss several topics of mutual interest.

18 June

Cuba joins the Latin American Integration Association as an observer. The ALADI committee of representatives has granted the Cuban Government permission to help ALADI promote regional trade.

Frei Betto, author of the book *Fidel and Religion*, arrives in Cuba to participate in the second Latin American and Caribbean Meeting of Mass Education, which begins at the House of the Americas on 24 June.

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Havana Radio reports that Armando Hart has indicated that the Culture Ministry will further strengthen ties to the Cuban Institute of Radio and Television, the Writers and Artists Union, and the National Cultural Workers Union.

The Mexico City press reports that the new Government of Barbados indicates that it wishes to have good relations with all countries. Prime Minister Errol Barrow's Social Democrats wish to have open, sincere relations, and cooperation with both the United States and Cuba.

19 June

Isidoro Malmierca discusses bilateral relations and analyzes the progress of the continuing antiapartheid international conference with Soviet official Adamishin and Czechoslovak official Stanislav Svoboda.

20 June

The Zambia-Cuba Joint Commission of cooperation opens in Lusaka. As a result of the commission, 13 Cuban medical doctors and two agricultural experts have been sent to Zambia, and eight Zambians are to be trained in Cuba in management and agriculture.

22 June

Iranian Foreign Minister Ali Akbar Velayati arrives in Havana and meets with Carlos Rafael Rodriguez and Isidoro Malmierca to discuss bilateral relations and the situations in Central America and the Middle East.

The Times of London reports on Fidel Castro's interview with Patrice Barrat. Fidel says Cuba will do everything to shore up Nicaragua's defense, to make it virtually impossible for the United States to intervene militarily "without paying a very high price."

Le Van Dung, alternate Central Committee member of the Communist Party of Vietnam, visits Cuba. An agreement on economic, scientific, and technical cooperation for 1986-90 is signed by Central Committee member Marcos Portal and Van Dung.

23 June

Lionel Soto discusses topics of mutual interest with Soviet Foreign Minister Shevardnadze.

Former Mexican President Luis Echeverria arrives in Cuba for a visit after an invitation from Fidel Castro.

Vice Foreign Minister Jose Ramon Fernandez and Oscar Fernandez Mell arrive in the Dominican Republic at the invitation of the committee organizing the Central American and Caribbean Games.

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During an interview in Guyana, President Hoyte says relations with Cuba are based on equality and mutual respect. He says Cuba has trained Guyanese doctors, but Guyana has never allowed a Cuban military plane carrying troops to pass through Guyana.

24 June

The Havana press reports that a pipeline on the Soviet oil tanker Lukhivitsky broke, causing a spillage of 1,265 tons of fuel oil and serious pollution at the Cuban deepwater port of Cienfuegos.

Before departing Havana, Ali Akbar Velayati says that Cuban-Iranian relations are very friendly, and that his country supports people who are struggling for independence in Central America and southern Africa.

Jose Ramon Fernandez attends the opening ceremony of the Central American and Caribbean Regional Games in the Dominican Republic. He says Cuba will participate in the 1988 Olympic Games if they are cohosted by North and South Korea.

25 June

Cuban political prisoner Jose Luis Alvarado, released last month from prison, tells Reuter that another 54 prisoners were released at the time he was, and more could be freed soon.

Havana and Brazil agree to establish relations of friendship and cooperation at the embassy level. Ambassadors will be exchanged soon. Relations were broken in 1964 by the military government then ruling in Brasilia.

Cuba and Zambia sign an economic, scientific, and technical cooperation agreement in Zambia for the 1986-88 period. Cuba will provide specialists to cooperate in economic projects in Zambia, and train Zambian cadres in Cuba.

Fidel Castro speaks at an assessment meeting on enterprise management, reiterating the essential need for microbrigades because of corruption and the slow process of completing economic and social structures.

The Havana press reports that negligent personnel are blamed for the oil spill in Cienfuegos Bay on 22 June. The personnel in charge of the operation were not at their work post.

26 June

In a meeting in Havana, Fidel Castro launches a scathing attack on the present system of productivity bonuses in Cuba's state-run economy, denouncing it as unjust, ineffective, and ideologically dangerous.

Fidel Castro speaks at the close of the meeting on enterprise on the essential quality of a leader to motivate people, the question of whether bonuses should be given if a goal is reached, and his hope of overcoming Cuba's material limitations.

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The Council of State designates Isidoro Contreras Perez as Ambassador to Iran.

29 June

In Paris, a Cuban delegation headed by Deputy Foreign Minister Vieira tells a Brazilian delegation headed by Foreign Secretary General Flecha de Lima that Cuba's main interest in resuming ties to Brazil is in economic cooperation.

30 June

Soviet Central Committee member Anatoliy Dobrynin meets in Moscow with Lionel Soto to discuss aspects of mutual interest.



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